

LEGISLATIVE AUDIT COMMISSION



Review of
Historic Preservation Agency
Two Years Ended June 30, 1998

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ILLINOIS HISTORIC PRESERVATION AGENCY
TWO YEARS ENDED JUNE 30, 1996

FINDINGS/RECOMMENDATIONS - 6

PARTIALLY ACCEPTED - 1
ACCEPTED - 5

REPEATED RECOMMENDATIONS - 2

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 9

This review summarizes an audit of the Illinois Historic Preservation Agency for the two years ended June 30, 1998, filed with the Legislative Audit Commission March 25, 1999. The auditors performed a financial and compliance audit in accordance with State law, the requirements of the Single Audit Act and OMB Circular A-133. The auditors stated that the Agency's financial statements were presented fairly except for the effect of such adjustments, if any, as might have been determined to be necessary had they been able to examine evidence regarding year 2000 disclosures.

The Agency, created July 18, 1985, is responsible for the protection and interpretation of Illinois' history and historic resources. The Agency administers the Illinois State Historical Library, all State-owned historic sites, and the State's preservation program which assists owners of historic properties with rehabilitation and preservation. The Agency is organized into five divisions: Administrative Services; Public Affairs and Development; Historic Sites; Preservation Services; and the Historical Library. The Historic Sites Division administers a total of 48 historic sites, memorials and miscellaneous properties owned by the State. A seven-member board of trustees, appointed by the Governor, is responsible for governing the Agency, establishing its policies, and appointing its director.

Susan Mogerman is the Director of the Illinois Historic Preservation Agency. Ms. Mogerman became Director in June 1991.

The number of employees was:

Division	FY98	FY97	FY96
Executive Office	19	21	22
Historical Library	21	23	21
Preservation Services	21	20	19
Administrative Services	27	28	28
Historic Sites	119	122	121
TOTAL	207	214	211

Expenditures From Appropriations

The General Assembly appropriated a total of \$16,912,228 from four different funds to the Agency in FY98. Approximately \$13.7 million of the total was appropriated from the General Revenue Fund. Also included in the total appropriation are appropriations from the Illinois Historic Sites Fund; the Capital Development Fund; and the Build Illinois Bond Fund. Appendix A summarizes these appropriations and expenditures for the period under review.

Total expenditures for the Agency increased from \$13,547,909 in FY96 to \$13,801,106 in FY97 to \$14,713,307 in FY98, an increase of \$912,202, or 6.6%. Examples of significant variations in expenditures included:

1. \$141,595 increase in contribution to State Employee's Retirement System from FY97 to FY98; and
2. \$387,812 decreased expenditures for operation of historic sites because expenditures from admission fees were not made in FY98.

First year expenditures included:

1. \$300,000 for the Canal Corridor Association in FY97;
2. \$24,978 for Stevenson Papers Project in FY98; and
3. \$61,574 for Jarrot Mansion in Cahokia in FY98.

One time or last time expenditures included:

1. \$500,000 for Black Metropolis in Chicago in FY96;
2. \$100,000 for Elmhurst Art Museum in FY97;
3. \$100,000 for Addison Center in FY97;
4. \$200,000 for Golden Historical Society in FY97;
5. \$110,000 for the markers program in FY98;
6. \$100,000 to Garfield Farm Museum in FY98;
7. \$100,000 for Lombard-Peck Homestead in FY98; and
8. \$500,000 for Norwood Park Historic Society in FY98.

Cash Receipts

Appendix B summarizes cash receipts for the three-year period, fiscal years 1996 through 1998. Cash receipts decreased from \$2,529,721 in FY96 to \$1,651,528 in FY98. The decrease in receipts was attributable to the end of the admission fee program in FY97 and a decrease in federal grants received through the U.S. Department of Interior. These

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grants can be drawn over a two-year period on a reimbursement basis. Nearly all of the awards for FY94 and FY95 were drawn in FY96, so that draw pattern was not normal. Increases in cash receipts from FY96 to FY98 were significant in the following areas:

1. \$34,776 increase from private organizations and individual contributions;
2. \$76,034 increase from rental income from leases and parking; and
3. \$81,603 increase from donation boxes.

Property and Equipment

Appendix C summarizes the property and equipment for which the Department was accountable. The balance as of June 30, 1998 for property and equipment was \$94.5 million, an increase of \$6.6 million over the balance of June 30, 1996. The majority of the increase was due to transfers-in.

Number of Visitors and Cash Donations

Appendix D provides a summary of the number of visitors (unaudited) to each of the State-owned historic sites and donations collected at each site during FY96-FY98. The number of total visitors decreased from 2,547,894 in FY96 to 2,513,059 in FY97, but then increased to 2,832,212 in FY98.

Accountants' Findings and Recommendations

Condensed below are the six findings and recommendations included in the audit report. Of these, two are repeated from prior audits. The following recommendations are classified on the basis of information provided by Susan Mogerman, Director, in a letter dated April 19, 1999.

Partially Accepted

- 1. Develop and implement procedures to match drawdowns to federal expenditures paid but not yet reimbursed. Develop and implement accounting procedures to separately track federal grant monies.**

Findings: The Agency is funded on a reimbursement basis for federal expenditures. Therefore program costs must be paid for by Agency funds before reimbursement is requested. The Agency improperly requested and received the entire 1997 grant, \$585,774, by May 19, 1997. The Agency's End of Year Report indicated that \$48,377 of the grant had not been expended. Holding excess cash from federal funds constitutes lack of compliance with federal regulations. Additionally, Agency records did not track

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federal grant expenditures separately from grant expenditures funded by State matching funds.

Partially Accepted - concluded

Response: The Agency has implemented improved procedures for tracking expenditures and drawdowns. Current accounting procedures are adequate to maintain and ensure the integrity of monies received.

Accepted

2. Maintain a separate fund for each grant of the receipts and disbursements by grant number and fiscal year.

Findings: The Agency did not have procedures in place to monitor federal grant activity by individual grant. Records consisted of one division of account numbers that includes all expenditures for all federal awards and various State grants. The Agency could not readily distinguish between State and federal grant funds. Proper recordkeeping would aid in the preparation of the periodic reports required by grantor agencies and ease preparation of the annual schedule of expenditures.

Response: The Agency accepts the recommendation and has requested a new fund from the Bureau of the Budget. The Agency has improved receipt and expenditure tracking.

3. Inform the sites of the statutory requirements regarding the timely deposit of funds into the State Treasury. (Repeated-1996)

Findings: At two of the five sites tested, the Agency's historic sites did not forward donation or camping fees received on a timely basis as required by law.

Response: The Agency accepts the recommendation and has clarified the law with appropriate staff. The Agency will seek to change the law regarding deposits to allow the Agency to make weekly deposits as opposed to deposits on a specific day of the week.

4. Contact the Governor's Office and pursue the status of the appointments to the Agency Board vacancies. (Repeated-1992)

Findings: The Agency's required number of Board of Trustee members mandated by law was not maintained. During FY97 and FY98, the Board was comprised of six members, rather than seven.

Response: The Agency has informed the Governor's Office that an additional appointment should be made.

- 5. Strengthen controls over donation receipts by requiring that two personnel be present when the cash is collected and counted. Maintain donation box key in a locked area.**

Findings: The Agency's historic sites did not maintain adequate controls over donation receipts. Collection, counting, and recording donation receipts was performed by only one individual at the Old State Capital historic site in Springfield. The New Salem historic site left the donation box key in an unlocked file cabinet. Agency officials attribute inadequate segregation of duties to lack of sufficient personnel.

Response: The agency agrees with the recommendation.

- 6. Perform and document proper monitoring procedures as required in the grant agreement.**

Findings: The Agency did not perform monitoring or follow-up procedures on a State grant recipient. Without proper monitoring and follow-up, the risk of recipients not spending State appropriated grant monies in accordance with the grant agreement increases.

Response: The Agency has begun to implement steps to assure appropriate and timely follow-up of State grants.

Emergency Purchases

The Illinois Purchasing Act (30 ILCS 505/1) states, "The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts...." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency

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purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY97 and FY98, the Historic Preservation Agency did not file any emergency purchases.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

The Historic Preservation Agency indicated as of July 30, 1998 that the Agency did not have any employees assigned to locations other than official headquarters.

